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E.O. 12958: DECL: 09/17/2014
TAGS: [ECON](#) [PREL](#) [EAGR](#) [MI](#)
SUBJECT: MALAWI: U.S. TOBACCO COMPANY CONVEYS CONCERNS
ABOUT DEPORTATIONS

REF: LILONGWE 507

Classified By: CHARGE KEVIN SULLIVAN FOR REASONS 1.4 B AND D.

Summary:

¶1. (C) Executives from U.S.-owned tobacco firm Alliance One told the Ambassador they have concerns about the future of their operations in Malawi following the deportation of four tobacco company executives on September 9 (reftel). They noted that President Mutharika's harsh rhetoric in justifying the deportations of the "imperialists" and his expectations of mandatory prices for Malawi's tobacco crop make the firms' situation untenable. Company officials are searching for ways to reestablish a working relationship with the GOM. Noting the limitations on the Embassy's ability to advocate for tobacco firms, the Ambassador highlighted our overarching concern regarding the impact on Malawi's image at a time when new investment is desperately needed. End summary.

GOM Treatment Concerns U.S. Buyers

¶2. (C) Managing Director Hugh Saunders and Regional Financial Manager John Burke of Alliance One, a U.S.-owned tobacco firm, requested a meeting with the Ambassador on September ¶15. Alliance One is one four major buyers of Malawi's tobacco crop, the country's largest foreign exchange earner by far. Alliance One's Malawian investment in its buying and processing operations totals approximately USD 100 million.

¶3. (C) Saunders and Burke told the Ambassador the firm has concerns about the future of its operations in Malawi following the deportation of four tobacco company executives on September 9 (reftel). They noted that the action seemed politically motivated because the tobacco buyers had upheld a buying agreement each firm had signed with the GOM at the beginning of the auction season. The executives claimed Mutharika's public demonization of the tobacco buyers as "imperialist" exploiters of Malawi's farmers represented a departure from previous administrations' separation of political and economic affairs.

¶4. (C) The Alliance One executives added that they believe the President's "implicit economic expectations" involving price floors alongside growing production and inventory make their situation untenable. They added that they do not believe the President would respond favorably to their objective economic argument. Burke said, "We don't believe we can meet his expectations, but we don't know how to communicate this in a way that would move us forward." Burke added that confronting the President, while perhaps objectively justified, would be ultimately counterproductive. They intend to "let the dust settle" and consider various options for re-engaging with the GOM.

Damaging Malawi's Investment Image

15. (C) The Ambassador noted that that the deportations revealed an utter lack of public relations awareness, particularly as the President planned to host a forum promoting investment in Malawi's agriculture sector while in New York for UNGA. The Alliance One executives echoed the Ambassador's concerns over the damage to Malawi's investment climate caused by the deportations, the rhetoric associated with them, and the GOM's growing tendency towards economic interventions in the markets.

Comment

16. (C) Beyond sharing their concerns over the suddenly difficult relationship between the tobacco buyers and the GOM, the executives did not request, nor did we offer, any Embassy assistance. Clearly, President Mutharika is playing to the gallery -- press coverage and general public reaction has tended to support the President's move. We will continue to take advantage of opportunities to highlight with senior GOM officials the importance of improving Malawi's investment climate.

SULLIVAN